

GAO

Report to the Chairman, Committee on  
House Administration, House of  
Representatives

September 1988

FINANCIAL AUDIT

House Beauty Shop  
Revolving Fund  
Financial Statements  
for 1987 and 1986



043168

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United States  
General Accounting Office  
Washington, D.C. 20548

Comptroller General  
of the United States

B-202896

September 7, 1988

The Honorable Frank Annunzio  
Chairman, Committee on House Administration  
House of Representatives

Dear Mr. Chairman:

As required by the Legislative Branch Appropriation Act, 1970 (83 Stat. 347), and in response to the December 23, 1987, request from the Chairman of the Subcommittee on Personnel and Police, Committee on House Administration, we have examined the balance sheets of the House of Representatives Beauty Shop Revolving Fund as of December 31, 1987 and 1986, and the related statements of operations and changes in financial position for the years then ended. Our examinations were made in accordance with generally accepted government auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We completed our audit work on May 20, 1988.


In our opinion, the financial statements referred to above present fairly the financial position of the House of Representatives Beauty Shop Revolving Fund as of December 31, 1987 and 1986, and the results of its operations and the changes in its financial position for the years then ended, in conformity with generally accepted accounting principles and the accounting policies described in note 1 to the financial statements applied on a consistent basis.

Our report on internal accounting controls and compliance with laws and regulations, together with the Fund's financial statements and accompanying notes for the years ended December 31, 1987 and 1986, is included in this report.

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As required by the Legislative Branch Appropriation Act, 1970, we are sending copies of this report to the Speaker and the Clerk of the House of Representatives. A copy is also being sent to the Chairman, Subcommittee on Personnel and Police, Committee on House Administration. Copies will be sent to others upon request.

Sincerely yours,

  
for Charles A. Bowsher  
Comptroller General  
of the United States



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# Report on Internal Accounting Controls and Compliance With Laws and Regulations

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We have examined the financial statements of the House of Representatives Beauty Shop Revolving Fund for the years ended December 31, 1987 and 1986. Our examinations were made in accordance with generally accepted government auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures, including tests of compliance with laws and regulations, as we considered necessary in the circumstances. This report pertains only to our preliminary review of the system of internal accounting controls and our review of compliance with laws and regulations for the year ended December 31, 1987. Our report on internal accounting controls and compliance with laws and regulations for the year ended December 31, 1986, is presented in GAO/AFMD-87-40, dated July 20, 1987.

We did not complete a study and evaluation of the Fund's internal accounting control system for the purpose of determining the nature, timing, and extent of the auditing procedures necessary for expressing an opinion on the Fund's financial statements. Based on our preliminary review, we concluded that it was more efficient to expand our substantive audit tests in examining the financial statements for the year ended December 31, 1987.

While we did not perform a complete study and evaluation of the Fund's internal accounting control system, we did not become aware of any condition during our expanded substantive audit tests which we believe to be a material weakness.

As part of our examination, we also tested the Fund's compliance with applicable laws and regulations. In our opinion, the House of Representatives Beauty Shop Revolving Fund complied with the terms and provisions of laws and regulations for the transactions tested that could have materially affected its financial statements. Nothing came to our attention, in connection with our examination, that caused us to believe that the Fund was not in compliance with the terms and provisions of laws and regulations for those transactions not tested.



# Balance Sheet

	December 31,	
	1987	1986
<b>Assets</b>		
Current Assets		
Cash in U.S. Treasury	\$36,170	\$34,476
Petty cash and change funds	800	800
Accounts receivable	35	170
Inventory of merchandise and supplies	11,499	10,713
<b>Total current assets</b>	<b>48,504</b>	<b>46,159</b>
Fixed Assets		
Equipment	18,846	18,889
Less accumulated depreciation	16,020	15,225
<b>Total fixed assets</b>	<b>2,826</b>	<b>3,664</b>
<b>Total Assets</b>	<b>\$51,330</b>	<b>\$49,823</b>
<b>Liabilities and Equity</b>		
Liabilities		
Accounts payable	\$5,801	\$3,330
Salaries, commissions, and benefits payable	0	211
Employees' accrued leave	9,987	8,994
Advance from House Finance Office	800	800
<b>Total liabilities</b>	<b>16,588</b>	<b>13,335</b>
Equity of the House of Representatives (note 2)	34,742	36,488
<b>Total Liabilities and Equity</b>	<b>\$51,330</b>	<b>\$49,823</b>

The accompanying notes are an integral part of this statement

# Statement of Operations

	Years ended December 31,	
	1987	1986
<b>Income</b>		
Beauty services	\$224,930	\$208,475
Retail sales	41,523	42,638
Miscellaneous income	169	160
<b>Total operating income</b>	<b>266,622</b>	<b>251,273</b>
<b>Operating Expenses</b>		
Salaries		
Administrative	27,268	34,295
Beauticians	92,811	87,785
Manicurists	23,039	22,182
Maids	8,356	7,229
Total salaries	151,474	151,491
Commissions	37,506	34,657
Employees' benefits—government contributions	35,502	21,518
Retail merchandise	29,773	31,182
Supplies	13,079	12,334
Office	108	91
Depreciation	823	783
Bad debts	18	66
Repairs	55	175
Loss on disposal of equipment	15	19
Miscellaneous	15	0
<b>Total operating expenses</b>	<b>268,368</b>	<b>252,316</b>
<b>Net Loss</b>	<b>\$1,746</b>	<b>\$1,043</b>

The accompanying notes are an integral part of this statement.

# Statement of Changes in Financial Position

	Years ended December 31,	
	1987	1986
<b>Funds Provided</b>		
Increase in accounts payable	\$2,471	\$1,198
Decrease in merchandise and supplies inventory	0	696
Decrease in accounts receivable	135	0
Increase in salaries, commissions, and benefits payable	0	211
Increase in employees' accrued leave	993	0
Provision for depreciation	823	783
Loss on disposal of equipment	15	19
<b>Total funds provided</b>	<b>4,437</b>	<b>2,907</b>
<b>Funds Applied</b>		
Net loss from operations	1,746	1,043
Decrease in transfer payable to U.S. Treasury	0	14,856
Decrease in employees' accrued leave	0	240
Purchase of equipment	0	1,024
Increase in accounts receivable	0	104
Increase in merchandise and supplies inventory	786	0
Decrease in salaries, commissions, and benefits payable	211	0
<b>Total funds applied</b>	<b>2,743</b>	<b>17,267</b>
<b>Increase (Decrease) in Cash</b>	<b>\$1,694</b>	<b>\$(14,360)</b>

The accompanying notes are an integral part of this statement.

# Notes to Financial Statements

## Note 1. Significant Accounting Policies

The House Beauty Shop Revolving Fund was authorized by the Legislative Branch Appropriation Act, 1970 (83 Stat. 347). The management and operation of the House Beauty Shop is under the jurisdiction of the Committee on House Administration (H. Res. 315, 95th Congress), with direct oversight provided by the Subcommittee on Services through 1986, and by the Subcommittee on Personnel and Police thereafter.

The financial statements do not include the costs of certain benefits and services such as space, utilities, and ordinary building repairs and maintenance, which are paid from appropriated funds and not charged to the Fund.

Inventories are stated at cost and are charged to operations using the first-in, first-out method.

Bad debt expense is recognized at the time receivables are deemed uncollectible and written off.

Equipment is depreciated over a 10-year life using the straight-line method.

## Note 2. Equity of the House of Representatives

A summary of the changes in the equity of the House of Representatives for calendar years 1987 and 1986 follows.

**Table 1: Changes in Equity of the House of Representatives**

	1987	1986
Balance at beginning of year	\$36,488	\$37,531
Less: Net loss for the year (note 3)	1,746	1,043
<b>Balance at end of year</b>	<b>\$34,742</b>	<b>\$36,488</b>

## Note 3. Income Transfer to U.S. Treasury

The Legislative Branch Appropriation Act, 1970, requires that the net profit of the House Beauty Shop established by GAO's audit, after restoring any impairment of capital and providing for replacement of equipment, shall be transferred to the general fund of the U.S. Treasury. Because net losses were incurred for calendar years 1987 and 1986, no transfers were required. A total of \$122,085 in prior years' income has been transferred to the U.S. Treasury from the House Beauty Shop Revolving Fund.





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